



U.S. Department  
of Transportation  
Maritime  
Administration

# ***MARITIME SECURITY REPORT***

Number 2

\*

April 1996



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**\* April 1996 \***

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## INTRODUCTION

The *Maritime Security Report* is an unclassified quarterly publication prepared to inform the commercial maritime industry, senior Maritime Administration officials, the Secretary of Transportation's Office of Intelligence and Security, and the *Federal Ad Hoc Working Group On Maritime Security Awareness*. The report focuses on international criminal activity and security issues which could pose a threat to U.S. commercial maritime interests and the movement of U.S. civilian cargoes in foreign trade.

The global nature of U.S. trade means that U.S.-flag ocean carriers call ports in nearly every country, and cargoes owned by U.S. interests may be embarked on ocean vessels of any flag or in any port worldwide. U.S. commercial maritime interests, therefore, can be jeopardized worldwide by a broad range of criminal activities, adversely affecting their competitiveness.

The *Maritime Security Report* is intended to increase awareness of the scope and severity of economic crime affecting U.S. maritime commerce. The Maritime Administration expects increased awareness to contribute toward deterring criminal exploitation of the maritime transportation system, its users and providers.

The *Maritime Security Report* is produced under the authorization of Margaret D. Blum, Associate Administrator for Port, Intermodal, and Environmental Activities. The information contained in the report is based on our research and analysis of recent, significant developments, and is compiled from commercial sources and U.S. Government reports.

Please direct any questions and comments on the information in this report to Thomas Morelli, Coordinator, Maritime Intelligence & Security, or John Pisani, Director, Office of Ports and Domestic Shipping, Maritime Administration, U.S. Department of Transportation, 400 Seventh Street, SW, Washington, DC 20590, or telephone (202) 366-5473/fax (202) 366-6988.

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## EXECUTIVE SUMMARIES

### **CARGO THEFT - Federal/Industry Cooperation Forming To Combat Rising Intermodal Cargo Theft In the United States**

United States' port cities and their hinterland areas are experiencing dramatic increases in the theft and in-transit hijacking of entire containers and trailers.

- \* Cargo theft incidents are occurring most frequently in Florida, California, New York, and New Jersey,
- \* Industry estimates cargo theft losses in U.S. exceed \$10 billion and average one-half million dollars per incident,
- \* FBI assesses the cargo theft problem to constitute a serious threat to the flow of commerce in the United States.

### **STOWAWAYS - Maritime Industry Faces Growing Risk Of Stowaways Smuggled In Containers As Refugees Increase**

The risk for ports and ocean carriers is being elevated by the forced migration of millions of people worldwide, now classified as refugees. Adding to that risk is the increased use of containers in organized criminal conspiracies to smuggle transnational asylum seekers to the West.

- \* Stowaways disrupt service, cause direct costs and revenue losses for container vessel operators, and jeopardize international commerce,
- \* Stowaways have posed a threat to crew and safe operation of the ship, and often have died during the voyage.

### **VIETNAM - Emergence Of Vietnam As A Transit Country For Heroin Traffic Is Exploiting the Containerized Export Trade**

The ports of Vietnam are vulnerable to being used by sophisticated smuggling schemes which rely on concealment of narcotics in shipments of commercial containerized maritime trade. They are utilizing front companies or exploiting legitimate shippers in the process.

- \* Southeast Asia's explosive growth in containerized maritime trade is causing port congestion and inefficiencies exploited by smugglers,

\* Removal of customs restrictions on cross-border trade, proposed by commercial interests, will create more opportunities for smugglers.

**CARGO THEFT - Federal/Industry Cooperation Forming To Combat  
Rising Intermodal Cargo Theft In the United States**

United States' port cities and their hinterland areas are experiencing dramatic increases in the theft and in-transit hijacking of entire containers and trailers. Cargo theft incidents have been particularly numerous in Florida, California, New York, and New Jersey. Total cargo theft losses nationwide are estimated by industry to exceed \$10 billion and average half a million dollars per incident.

Cargo theft is being committed by highly organized and sophisticated criminal groups with the ability to export stolen merchandise out of the U.S. to Mexico and countries in South America, such as Brazil. Stolen cargo is also being exported to the growing number of countries where Western consumer goods are in demand. Many cargo theft gangs are composed of expatriate aliens of various ethnic groups, such as Vietnamese. The U.S. Federal Bureau of Investigation (FBI) has assessed the cargo theft problem to be so severe as to constitute a serious threat to the flow of commerce in the United States.

**Federal/Industry Cooperation.** Law enforcement, headed by the FBI, along with the transportation industry's shippers, carriers, and insurers, have achieved an unprecedented level of cooperation while working together to combat the growing problem of cargo theft. In early 1996, a multijurisdictional undercover task force, with the cooperation of industry, concluded a long-term investigation in South Florida. Arrested were 72 individuals indicted for 34 cargo-related thefts valued at more than \$4 million. During 1995, similar task forces have also made significant cases in Southern California and the New York/New Jersey vicinity. The arrests in Florida gave the final impetus to a national initiative, supported by the U.S. Attorney General and industry groups, to combat cargo theft in the United States.

**Miami Conference.** The arrests in South Florida precipitated the first FBI Interstate Theft and Strategic Initiatives Cargo Theft Conference, held in Miami during April 1996. The conference was cosponsored by the National Cargo Security Council (NCSC), a Washington-based government/industry coalition. In attendance were 45 FBI agents and 40 other cargo theft investigators from around the country, along with prosecutors from state and U.S. Attorney's offices. Other government officials and 45 representatives from the transportation, shipping, and insurance industries completed the attendance. At the conference it was emphasized that a nationwide cargo theft data base was needed in

order to develop a comprehensive assessment of the problem. The lack of such a data base has been a prominent obstacle to effective cooperative action by the industry, local law enforcement, and U.S. government agencies.

**The Cost Of Cargo Theft.** The NCSC estimates that losses due to cargo theft in the United States have exceeded \$10 billion. The average value of a single cargo theft loss now stands at about \$500,000. The real cost, however, is measured in its impact on productivity, possible loss of life, rehiring, retraining, time spent with police, attorneys, claim adjustors, and the news media. The real cost also includes difficulty replacing the stolen goods and filling subsequent customer orders, and loss of good will and reputation.

The cost for many carriers has become unacceptable, both in terms of goods lost and rising insurance premiums, according to John Hyde, head of security in the Western Hemisphere for Maersk, Inc. The potential loss of trade at seaports is also a growing concern. Paul Duffy, head of security for Tropical Shipping, has pointed to the significant impact of cargo theft on port related regional economies, encouraging that "good security is good business."

**Tightening Transport Security.** Goods are more vulnerable during truck transit than in the shipper's warehouse, which may be especially secure. Consequently, high-value shippers are looking for proof from carriers that they have tight freight security controls. Desired features include tracking cargo, monitoring access to terminals, and verification and authentication of the consignee's receipt of an order. Shippers are collecting and analyzing information about their losses to determine which carriers experience higher incidents of cargo theft. The industry expects that increased security concerns will improve the partnerships between shippers and carriers.

**Insurance Pressure.** Companies have been reluctant to report cargo theft losses and risk potentially negative publicity and hikes in insurance premiums. Inland marine and ocean marine insurance underwriters have been heavily impacted by cargo theft. Those insurers have begun to require more accountability for security from firms shipping and transporting cargo. The insurance industry has forecast increases in premiums and higher deductibles for those firms that do not reduce losses by deterring cargo theft. Firms with the worse loss records may have difficulty in obtaining insurance.

**Industry Report To Congress.** An NCSC delegation made up of industry experts, headed by NCSC chairman Ed Badolato, presented a briefing to Congressional staff members in April 1996. NCSC described "a growing U.S. cargo theft crisis whose scope and dimensions are unrealized by most outside of the cargo industry and law enforcement community." NCSC reaffirmed its estimate of annual cargo theft losses at \$10 billion and spoke on the necessity for an effective national system for reporting and analyzing cargo theft losses. In addition, NCSC identified the need for action against international cargo theft gangs and for a stiffening of criminal penalties for cargo theft.

**Cargo Theft Data Base.** In mid-April 1996, the Transportation Loss Prevention and Security Council of the American Trucking Associations (TLPSC, formerly the National Freight Claim and Security Council) began a secure, online cargo theft data base service. The data base, called Cargo TIPS (Cargo Theft Information Processing System), is intended to enable industry and law enforcement to quantify cargo theft losses. That data could then be used to monitor trends. Further analysis and its application could be used to prevent future thefts by organized groups whose methods are patternistic, according to TLPSC executive director Gail Toth.

Cargo TIPS can be accessed by specific topics including location, type of theft, and whether fatalities occurred during the commission of the crime. It is hoped that Cargo TIPS will also initiate some degree of standardization in the reporting of cargo theft data by the transportation industry, the shippers of goods, and the insurance industry. Uniformity of reporting format will facilitate analysis of the data and expedite use of the resulting intelligence by law enforcement. Expected outcomes include improved deterrence, prevention, cargo recovery, criminal apprehension, and successful prosecution.

**Cargo Theft Methods.** Primarily during truck transit, containerized cargo shipments enroute to or from the ports of Miami, Los Angeles and Long Beach, and New York/New Jersey have been hardest hit by cargo thieves since 1993. Methods of stealing cargo in transit have ranged from hijacking to fraud. Hijacking typically involves seizing the truck and forcing the driver to give up the load. Fraud techniques are variable but may involve, for example, the presentation of false shipping documentation to the cargo owner by an imposter posing as the carrier contracted to transport the goods. In California, typically, entire containers are stolen during a cargo theft incident. On the East Coast, it is more common for partial loads

to be stolen by thieves exploiting weaknesses in the container sealing mechanisms, according to John Tichenor, a senior marine insurance specialist with CIGNA Companies.

**Exporting Stolen Cargo.** Law enforcement authorities have learned that cargo theft gangs commonly sell to stolen goods brokers operating legitimate export/import shipping or warehousing operations. Such "front" companies play an essential role in cargo theft by facilitating the receiving and trafficking in stolen merchandise. A broker provides concealment for criminal enterprises and enables cargo thieves to avoid the exposure which comes from trafficking stolen goods. The transnational character of cargo theft is becoming increasingly evident. Merchandise stolen in one country is being consigned for export as a "legitimate" shipment and trafficked in the formal or informal markets of another country.

**Transnational Organized Crime.** Investigations have linked criminals involved in cargo theft with transnational drug trafficking and money laundering activities. Cargo theft is also a growing problem in other countries. For example, during one month in 1995, cargo theft hijackings in Italy accounted for losses amounting to \$4 million, and in Singapore -- \$1 million. Much of the international cargo traded with Russia is transshipped through the Port of Tallin, Estonia. The Russian organized crime problem in Tallin is considered serious.

**Organized Crime Infiltration.** The transportation industry needs to screen its employees very carefully. Richard Mosquera, a chief of one of the FBI's organized crime/drug operations sections, states that La Cosa Nostra (ethnic-Italian organized crime in the U.S) is still a threat in this country. It controls or has influence over one hundred labor unions at the local and national level, including the transportation industry. An executive with a major insurance company has explained that members of cargo theft gangs have infiltrated the major shipping companies. They have also bribed vulnerable employees to give up route schedules, bills of lading, or other critical information.

**Vulnerable Shipping Information.** One of the largest protection and indemnity clubs for shipowners is the West of England Ship Owners Mutual Insurance Association. It cautions that access to information on the contents of containers is a component problem in cargo theft and recommends that shipping lines restrict such information. Electronic data interchange (EDI) enables shipping transactions to be conducted entirely from a computer terminal linked to a data network. Transactions include booking freight,

tracking shipments, billing customers, and clearing customs. EDI is, therefore, a potentially rich source of shipping information to cargo thieves and must be adequately protected.

A modern marine terminal container operation is dependent upon a central computer data base to track arrivals and departures between the vessel and the port gate. A container is also tracked in this way as it moves through storage and handling areas. At each transaction in the cycle, specific details identifying each container are entered into or generated by the computer data base, electronically and in hard copy. The information includes the container's current location and ultimate destination. Also extracted during that process, is information from the ocean bill of lading, which is available on the export load's dock receipt. The ocean bill of lading contains a description of the cargo (e.g., "...packages said to contain..."). It serves as a collection document enabling a foreign buyer to receive a shipment from the carrier by simply showing proof of identity.

COMMENT: The Maritime Administration (MARAD) is working cooperatively with industry and law enforcement to counter the problem of cargo theft occurring during intermodal phases of transport. MARAD intends to analyze cargo theft data pertaining to selective port related geographic areas. In addition to recently established industry data bases, such as Cargo TIPS, several have also been compiled by law enforcement authorities. Most notable are those pertaining to cargo theft in Southern California, New York City/New Jersey vicinity, and South Florida. Law enforcement task forces in these areas have developed regional cargo theft data bases as products of their investigations.

Analysis of cargo theft incidents can provide identification of patterns and trends in the industry's vulnerabilities to cargo thieves. The transportation industry can use that information to reassess its risk and implement operational improvements in the security of the shipping cycle. By increasing deterrence and prevention, transportation providers, freight forwarders, and shippers will constrict the opportunities for cargo theft.

**The FBI Overseas.** To confront the threat of transnational organized crime, the FBI has increased its international presence. Its coordination with U.S. intelligence agencies, now very active in gathering criminal intelligence on international organized crime groups, offers the prospect of future successful efforts in this area. Potentially, multilateral coordination may

reduce theft and trafficking of U.S. cargoes abroad as well as increasing recovery of those cargoes.

The FBI continues to counter the criminal activities of organized crime groups operating in the United States. The FBI also expects to assist other countries in dealing with groups indigenous to their countries which also are impacting on the United States. Legal attaches from the FBI are stationed in U.S. embassies overseas to coordinate the bureau's investigative interests. With about 70 agents in 24 offices around the world, the FBI is attempting to increase the number of its offices to 47 (including Estonia) and agents to 110 in the near future.

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## **STOWAWAYS - Maritime Industry Faces Growing Risk Of Stowaways Smuggled In Containers As Refugees Increase**

The risk for ports and ocean carriers is being elevated by the forced migration of millions of people worldwide, now classified as refugees. Adding to that risk is the increased use of containers in organized criminal conspiracies to smuggle transnational asylum seekers to the West. It is probable, therefore, that an increasing percentage of refugees will become ocean stowaways to escape their situation. Consequently, the integrity of international maritime commerce is jeopardized in the process.

The urgent tempo of modern shipping, the small crews aboard container ships, and ineffective security in many ports and container terminals makes maritime transportation vulnerable. Stowaways result in service disruption and revenue losses for container vessel operators, which typically are held legally responsible for repatriation. Some stowaways have posed a threat to the crew and the safe operation of the ship. And, in numerous cases, stowaways have died during the voyage, further delaying the vessel.

The problem is compounded because smugglers prefer to use containers for the ocean transport of illegal aliens. Previously, large groups of illegal aliens were massed on board vessels dedicated to a clandestine voyage. But several spectacular misadventures since 1994, -- some involving more than 200 people, -- have changed the logistics. Today, smaller groups of migrants are assembled and moved in a multitude of attempts along complex route networks. The migrants rely upon forged travel documentation and permeate commercial transportation flows. Often the mode of transportation is changed several times between the country of origin and the country of destination.

**IMO Recognition.** During the 50th session of the United Nations General Assembly in November 1995, the International Maritime Organization (IMO), recognized a resurgence of stowaway incidents worldwide. IMO noted the trend toward smuggling of aliens by ship using containers. Also noted was the role played by transnational organized crime. IMO concluded that the circumstances constituted a serious threat to the safety of life at sea. IMO recognized the need for an international agreement regarding where and how stowaways would be disembarked and how their return or repatriation should be organized. At its 1997 session, the IMO intends to develop a resolution for adoption to reduce the increasing problem of stowaways and ensure their proper treatment.

**U.S. Bound Chinese.** Since 1991, Central America has become a primary intermediate destination for staging illegal aliens prior to organized attempts to smuggle them into the United States. A cooperative international law enforcement effort recently disrupted a large scale alien smuggling operation in Central America. Smugglers were moving at least 10,000 illegal aliens from outside Central America through the region each month enroute to the United States. Working cooperatively through embassies in Rome, Mexico City, and Bangkok, investigations by the U.S. departments of State and Justice, resulted in successful termination of the smuggling operation.

Chinese aliens, mostly from China's coastal Fujian province near Hong Kong, account for the largest group being smuggled. Moving on forged visas, they travel from China through Southeast Asia and, for example, Amsterdam and Cuba before reaching Central America. Their intended destinations are Fujianese ethnic enclaves in major cities such as New York and also those in Europe and Australia. Large overseas ethnic populations provide cover and facilitation to the movement of illegal migrants through such enclaves. In Panama, for example, there are 100,000 Chinese in residence.

**Smuggling Aboard Ship.** The West of England Ship Owners Mutual Insurance Association has issued an assessment of the worldwide stowaway threat to its members, titled "Stowaways: Regions of Greatest Risk" (Loss Prevention Bulletin 1/1995-96). West of England found the method of operation employed to smuggle stowaways aboard ship to be strikingly similar in ports worldwide. The report includes some of the common methods used in smuggling stowaways, for example:

- Stowaways almost invariably hide inside containers,
- Roll-on/roll-off vessels are also popular because they prove to be easily accessible in some ports,
- Loose port security controls enable most attempts to gain access to full and empty containers waiting to be loaded,
- Sophisticated smuggling efforts are placing stowaways in containers during the freight forwarding phase, before delivery to the marine terminal,
- Complicity of corrupt port and vessel personnel enable stowaways access to empty containers in stacking areas, then fraudulently record them as checked and secure; stowaways are gaining access disguised among, and aided by, crews of legitimate port workers and often board vessels with stevedores.

**High-Risk Areas.** According to West of England and the Baltic and International Maritime Council (BIMCO), stowaway activity is most prevalent in Western Europe, sub-Saharan Africa, Peru, and Colombia. Stowaways tend to avoid ships manned with Russian, German, Japanese, or Chinese crews. The most popular destinations are western and northern Europe, Canada, and the United States. The nationalities of stowaways in largest numbers include East Europeans, Kurds, Nigerians, Albanians and others from countries farther east.

**Preventive Measures.** West of England recommends that special attention should be given to the integrity of container seals. It recommends physically inspecting the seals and recording and verifying container seal identification numbers. Marine terminals should conduct a detailed seal and door examination when a container enters the port and repeat the inspection alongside the vessel just before loading. If found, stowaways should be interrogated to establish their port of embarkation, their identity, the location of concealed documentation, and other personal details.

Tighter port security, better local law enforcement, and more governmental cooperation were recommended as keys in combating the international epidemic of ship stowaways by Thomas Fitzhugh, Executive Director of the Maritime Security Council. Speaking at the American Association of Port Authorities annual meeting on maritime security issues in January 1995, Fitzhugh also recommended improved physical access controls at terminal facilities in port areas and at vessels. He also advised special monitoring of warehouses and cargo storage areas, as well as stevedoring crews and others with port and vessel access.

**Maritime Crew Fraud.** A method of smuggling illegal immigrants into Europe was reported to BIMCO in 1994. It involves arranging a false crew change for a nonexistent vessel. The scam turns on a port agent's failure to verify the existence of the vessel and the true identity of the principal contracting the services. The agent is requested to arrange for new "crew members" to be cleared through immigration. Once that is done, the "vessel" is reported delayed and the "crew" of illegal immigrants are discovered to have vanished.

**False Documentation.** The transnational operations of organized criminal groups are dependent upon fraudulent documents, such as passports and visas. Inspectors of the U.S. Immigration and Naturalization Service (INS) intercepted 170,000 fraudulent documents in 1993 at ports of entry alone. The seized documents

include counterfeit passports, fake visas, and false alien registration cards. Russian organized crime groups have become adept at forming front companies and exploiting U.S. "L" visas for "intracompany transfers."

Honduran immigration officials discovered that at least 20,000 naturalization cards used to obtain Honduran passports and residency cards, were printed illegally and sold for between \$25,000 and \$50,000 each, prior to 1994. The buyers were Chinese smuggling organizations in Hong Kong. These schemes are indicative of the growing sophistication and financial scope of smuggling in illegal aliens.

**Transnational Organized Crime.** Alien smuggling rings are believed to be associated with organized crime groups in China, Hong Kong, India, Pakistan, and Central America. Smugglers from Vietnam and China are among the best established with the most sophisticated methods. Chinese syndicates, which control Asian heroin smuggling to the West, reportedly now also monopolize the traffic in illegal immigrants. These syndicates are finding it nearly as lucrative to smuggle aliens, and with fewer risks.

U.S. officials have estimated there are about 50 Chinese gangs involved in smuggling people. The main groups are the "14K" in Hong Kong, and the "Flying Dragons" based in Taiwan. The price paid to smugglers by migrants from China, India, and Pakistan has been as high as \$35,000 per migrant. South Americans seeking illegal entrance into the U.S., mostly Ecuadorians and Peruvians, pay about \$8,000 per illegal alien.

**International Law Enforcement.** A more vigorous international approach to the investigation and prosecution of traffickers is needed to curtail alien smuggling in sending, transiting, and receiving countries. For example, criminal penalties for smuggling aliens are often weak, and smuggling is not even a crime in many countries. The U.S. INS plans to increase information exchange with foreign governments and apply more diplomatic pressure on source countries in particular cases, according to the agency's commissioner Doris Meissner. U.S. Deputy Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, Jonathan Winer, has stressed the importance of multilateral cooperation among governments. Building networks of diplomacy and law enforcement are necessary in order to alleviate the alien smuggling problem, which Winer has characterized as "a national security problem, not just an immigration problem."

**Forced Migration Around the World.** There are numerous factors responsible for forcing millions of people around the world to become refugees and move away from their homes and countries. Migrants are either refugees, forced to flee because of life-threatening circumstances, -- or economic migrants, -- in search of improved employment opportunities or for other personal reasons. Both may become stowaways. The following is a brief description of the origins and scope of the refugee problem.

The United Nations High Commissioner for Refugees (UNHCR), Sadako Ogata, has described the root causes of the global refugee crisis as a complex mix of circumstances. She cites the main factors to be economic, demographic, social, religious, ethnic, and political processes occurring simultaneously at the local, national, and international levels. William Wood, chief of the Office of the Geographer and Global Issues, U.S. Department of State, has explained that each refugee flow is unique. However, typically, forced migration occurs disproportionately in the countries with the most miserable living standards.

There are few commercial maritime regions in the world impervious to the invasive threat of stowaways. According to the UNHCR, in 1994, the locations and numbers of major refugee populations were estimated to include: Africa (7.5 million), Europe (6 million), Asia (5.7 million), and the Americas (1.4 million). In 1996, the total number of refugees around the world was estimated at 27 million people, according to Phyllis Oakley, U.S. Assistant Secretary of State for Population, Refugees, and Migration. Also, refugees internally displaced within their country of origin were estimated to total an additional 20 million. Economic migrants were estimated to number over 100 million.

**COMMENT: Multilateral Action.** In order to comprehensively attack the stowaway problem, its contributing source cause -- the influx of refugees -- must be addressed and alleviated. That requires a multilateral and interdisciplinary approach. Coordination with multilateral groups addressing various other aspects of the alien smuggling problem will enhance prospects for creating real solutions for the international maritime industry. The Group of Seven Nations/P-8 Senior Experts Group on Transnational Organized Crime, for example, is one such group. It issued a report in April 1996, which addressed alien smuggling. The Group recommended that all countries should increase liaison postings and enable immigration services in the fight against transnational organized crime and its involvement in alien smuggling and trafficking in forged and stolen documents.

The international maritime industry must, of course, improve its port and vessel security, enhancing both physical and electronic controls in order to constrict the opportunities for exploitation by alien smugglers. However, all sectors of industry involved in maritime trade and government must also recognize the need to assist in alleviating the root causes of refugee migration. Until that occurs, the incidence of stowaways on ships is likely to increase.

The Maritime Administration and the U.S. Department of Transportation support a government/maritime industry partnership with the shipping, insurance, and transportation sectors to systematically address the stowaway problem. Only through a determined cooperative international effort can the exploitation of commercial ports and ships by those engaged in alien smuggling be countered.

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## **VIETNAM - Emergence Of Vietnam As A Transit Country For Heroin Traffic Is Exploiting the Containerized Export Trade**

The ports of Vietnam are vulnerable to being used by sophisticated smuggling schemes which rely on concealment of narcotics in shipments of commercial containerized maritime trade. Smugglers are utilizing front companies or exploiting legitimate shippers in the process.

Southeast Asia is experiencing explosive growth in containerized maritime trade. Accompanying that is congestion and inefficiencies in cargo tracking and customs inspections in less developed countries like Vietnam. These conditions are providing smugglers with substantial opportunities at relatively low risk.

Commercial interests in the region are pressuring governments to remove customs restrictions. They want rules eased on cross-border movement of containers, vehicles, and drivers, including cabotage and transit cargo owned by third-country parties. Such liberalization will exacerbate the smuggling problem.

Although information is still limited about drug trafficking through Vietnam, seizures in the region and in the U.S. suggest Vietnam is being used as a transit point in the flow of heroin. That conclusion is reported in the *International Narcotics Control Strategy Report*, published by the U.S. Department of State in March 1996. In addition, Vietnam's Deputy Minister of Interior, Major General Le The Tiem, recently was quoted to say, "there have been signs that Vietnam has become a venue of drug trafficking and abuse from the Golden Triangle to other parts in the region and the world as a whole."

**Foreign Relations.** A combination of political and economic factors has elevated U.S. government concern regarding the exploitation of Vietnam as a transit country for Southeast Asian drug traffic to the West. Vietnam's growing foreign trade and tourism, its membership in the Association of Southeast Asian Nations (ASEAN), and normalization of relations with the United States are among the most prominent. Other interests include U.S. government efforts to promote trade and business investment in the country, and a large overseas Vietnamese population in the United States. Richard Clarke, Senior Director for Global Issues and Multinational Affairs, U.S. National Security Council, points out that the financial power acquired by transnational organized crime groups from activities such as drug trafficking, can be used to undermine the transition to democracy in new and fragile governments.

**U.S. Trade Interests.** President Clinton lifted the trade embargo with Vietnam on February 3, 1994. The official opening of the U.S. Embassy in Hanoi took place in July 1995, and normalization of relations began on August 5. During November 1995, U.S. Transportation Secretary Federico Peña conducted a trade and transportation survey of Vietnam, conferring with Bui Danh Luu, his Vietnamese counterpart. During his visit, Secretary Peña emphasized that U.S. companies have a competitive advantage in countries with efficient transportation infrastructure. In June 1995, he called for enhanced maritime security in the Asia-Pacific region as one of several priorities to be balanced with infrastructure improvements. He made that point in his address to the transportation ministers of the Asia-Pacific Economic Cooperation (APEC) member countries during their annual meeting.

In April 1996, the U.S. Department of Commerce opened an office in Hanoi to promote trade between the two countries. Preparations to eventually assist U.S. companies will involve the U.S. Export-Import Bank, which finances U.S. exporters, and the Overseas Private Investment Corporation, which finances and insures U.S. investors. Some six billion dollars are said to be marked for projects that offer potential sales opportunities for U.S. firms doing business in Vietnam. More than 100 U.S. companies are already established in Vietnam, and U.S. investment is valued in excess of \$600 million.

**Exploiting Trade.** Drug smugglers obfuscate the origins and destinations of their shipments by permeating the legitimate flows of international commerce. By varying their distribution patterns and using multiple transit points, drug smugglers increase their prospects for evading contraband enforcement and avoiding priority-country customs inspections.

Although official corruption facilitates drug smuggling, there is no evidence that it occurs systematically or at a high-level in Vietnam. However, corruption remains a problem among lower level police, and trade officials in border areas are particularly susceptible to bribery to facilitate smuggling. Reports of corruption have included the necessity of paying bribes to customs officials and dock workers to clear cargoes at Vietnamese ports.

**Port Congestion.** Southeast Asia's container trade is growing much faster than improvements in infrastructure. Consequently, severe congestion in marine terminals is causing inefficiencies related to the processing and control of containers. Ironically, a common government response to port congestion is to relax

customs inspections in an attempt to expeditiously clear backlogged cargo. These circumstances create additional opportunities for unauthorized access to idle or misplaced cargo and inspire cursory examinations of shipping documentation. These conditions increase the probability that successful drug smuggling efforts will exploit the legitimate flows of containerized maritime trade through the country's ports.

**Container Trade Growth - Asia.** On a world basis, 50% of the total cargo movement of 4.5 billion tons is now Asian-related, as is 50% of the fleet of freight containers. Drewry Shipping Consultants reported in a recent study that Southeast Asia is now a key strategic element in the global service network of all the major ocean carriers. Asia has shown increases in exports to Europe, North America, and Japan.

However, most convenient to drug smugglers is the fact that Asia has achieved the most intensive and complex container feeder network in the world. Intra-Asian container traffic is forecast to grow at a rate in excess of 10% a year through 2010, according to Graham Hooper of Mausell Pte. Ltd., an Australian consultancy.

**Southeast Asia.** Container port volumes in Southeast Asia have risen dramatically during the last 15 years as the region's share of world container traffic increased to 15% in 1995, from under 5% in 1980. Drewry forecasts that by 2000, annual worldwide container volumes in Southeast Asia will reach almost 35 million TEU (twenty-foot equivalent units). The region will then represent nearly 18% of global container activity.

**Vietnam.** Vietnam's container traffic rose by 70% between 1990 and 1994, reaching nearly 500,000 TEU. According to Hamburg Port Consulting, Vietnam's total throughput of containers at its major ports could reach 2,588,000 TEU by 2004. That volume would rely primarily on the ports of Ho Chi Minh City, Ben Nghe, Saigon New Port, Da Nang, and Haiphong. In addition, Vietnam's inland waterway system -- 5,000 kilometers (km) of registered and managed navigable inland waterways in use year round -- carried 36,000 TEU in 1995. That volume is forecast to increase 400% by 2000.

**The Heroin Route.** Heroin originating in the region where the borders of Thailand, Laos, and Burma converge, known as the Golden Triangle, is smuggled east through Laos. It is then transported southeast to Cambodia and port cities in Vietnam, such as Da Nang. From there, heroin shipments concealed in containerized maritime trade are reportedly transhipped in large quantities to destinations in North America, Europe, and Australia.

Distribution of the heroin is controlled primarily by ethnic-Chinese crime gangs, known as Triads or Secret Societies. They have played a key role in the transshipment of Southeast Asian heroin through Hong Kong, Taiwan, and Singapore. Triads have made Bangkok the center for the international marketing of Southeast Asian heroin. However, the new route through Vietnam is, in part, an adaptation by smugglers to successful counternarcotics operations in Thailand.

The difficulty of controlling smuggling in Vietnam, whether narcotics or commercial goods, is further complicated by the country's political geography. For example, Vietnam's land borders total 3,818 km, composed of segments shared with Cambodia (982 km), Laos (1,555 km), and China (1,281 km). Vietnam's coastline extends 3,444 km, bordering on the South China Sea. There are numerous opportunities for transiting geographic areas where contraband enforcement is less effective.

**Vietnam's Counternarcotics Efforts.** Vietnamese authorities have been receptive and cooperative to both bilateral and multilateral drug control efforts. Ambassador Le Van Bang, Vietnamese Charge d'Affaires to the United States, spoke to the World Affairs Council of Washington, D.C., on October 30, 1995. He acknowledged that international organized crime is a growing problem in Vietnam, and the country is cooperating with the U.S. and neighboring countries on counternarcotics efforts.

In May 1995, Vietnam joined with Cambodia, China, Laos, Burma, Thailand, and the United Nations Drug Control Program (UNDCP) in a Memorandum of Understanding on Sub-regional Cooperation on Drug Control. In November 1995, Vietnam's prime minister ratified the Master Plan for Prevention and Control of Narcotics in Vietnam. The Master Plan is funded by the United Nations Drug Control Program (UNDCP) through 2000. A principle objective of that project is to improve the capacity of relevant authorities in controlling and seizing illegal drugs.

According to the U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs, several reasons contribute to Vietnam's vulnerability to the Southeast Asian drug trade. They include a lack of equipment, training, and poor coordination among its law enforcement authorities, including customs and border patrol. Despite limited domestic resources and a dearth of international assistance, Vietnam has demonstrated considerable willingness to undertake enforcement efforts on its own.

**COMMENT: Trade Analysis.** Legitimate commodities have numerous characteristics and patterns common to their commercial shipping cycle. Law enforcement attempts to track and interdict drug shipments consigned among containerized commercial freight by identifying suspicious transactions. This capability is reduced in trades that have (a) few customs restrictions and poor port security, (b) large volumes of legitimate commercial traffic, (c) weak contraband enforcement capabilities, and (d) preferential trade status with an established importing economy, accompanied by a lower customs inspection priority. However, systematic analysis of container traffic documentation, combined with investigative intelligence, may reveal transactions which provide indications of illicit activity.

**Counternarcotics Training.** In addition to analytic techniques, operational training is imperative. Coordinated by the Department of State, the U.S. has begun training efforts with the Vietnamese counternarcotics authorities. For example, a course on basic enforcement techniques was conducted by the U.S. Customs Service in 1995, along with FBI sponsorship of Vietnamese police officers at the Pacific Region Conference on Asian Organized Crime. More training is planned for 1996.

**Port Security Training & Planning.** The Maritime Administration (MARAD) and the U.S. Department of Transportation support increased training for foreign commercial port officials through U.S. government assistance programs. Training for port officials is designed primarily to focus on constricting the opportunities for the exploitation of commercial maritime trade flows and emphasizes deterrence and prevention. Such training is complimentary to law enforcement and customs training which emphasizes interdiction.

A training seminar of this type was developed through a MARAD initiative by the Office of Ports and Domestic Shipping to provide counternarcotics instruction for port officials in Latin America. The course was cosponsored by the Organization of American States and its Inter-American Drug Abuse Control Commission. It was funded by the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs and was taught with an international training team from government and private industry.

Port security must also become a planning priority in port operations, commanding the attention and resources of port senior management. Port security operations should even be considered in the earliest planning and design phases of new port

infrastructure construction. This is needed in order to achieve an operational port environment which is designed to offer fewer opportunities for criminals to exploit commercial maritime cargoes and vessels.

Worldwide, containerized maritime cargoes are increasingly targeted by organized criminal conspiracies involved in alien smuggling and cargo theft, in addition to drug smuggling. Exploiting weaknesses in port security is central to these crimes. The associated costs reduce the competitiveness of those affected, including the ports. Improved port security will force criminal enterprises out from the facilitating cover of commercial trade flows. Criminal enterprises will then be more exposed to law enforcement operations, increasing the prospects for detection, interdiction, and successful prosecution. The international maritime industry can profit by embracing the concept that port and vessel security is a marketable commodity.

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